

**For:** State and County Offices

**2002 Crop Disaster Program (CDP) Peanut Quality Adjustment**

**Approved by:** Deputy Administrator, Farm Programs



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**1 Overview**

**A Background**

The current quality adjustment procedure for 2002 CDP peanut applicants, based upon the schedule of discounts, does not adequately compensate a producer for the loose shell kernel (LSK) percentage.

For 2002 participants to receive a quality adjustment similar to 2001 participants, a modification must be made to the current procedure.

This updated procedure will be included in a future amendment to 5-DAP.

An automated excel spreadsheet is being created as a tool for County Offices to use in computing 2002 CDP peanut quality adjustments.

**B Purpose**

This notice provides revised instructions for adjusting the production to count, because of poor quality, for 2002 CDP peanut applicants.

These revised quality adjustment procedures shall apply:

- only to 2002 CDP peanut applicants
- to the CDP Method 2 and 3 quality adjustment options.

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**Disposal Date**

January 1, 2004  
8-25-03

**Distribution**

State Offices; State Offices relay to County Offices

## Notice DAP-176

### 2 County Office Action

#### A Adjustment to Production

The County Office shall review and adjust production to count for 2002 CDP peanut applicants using the procedure in this notice. The current quality adjustment procedure in 5-DAP shall continue to be applicable for 2001 peanut participants.

If a CDP payment has already been issued to a 2002 CDP peanut applicant using the previous 5-DAP instructions, the County Office may use the procedure in subparagraph B to revise the original application. Applicable supplemental payments shall be issued according to 5-DAP.

#### B Method 2 Quality Adjustment Procedure

The quantity to count for 2002 CDP peanut applicants shall be adjusted according to the following procedure.

- Complete a separate CCC-761 for each type of peanut within the unit. There is no need to separate production by FSN. FSN is optional; however, unit definitions should be followed according to 5-DAP, paragraph 30.
- Complete CCC-761 according to 5-DAP, paragraph 76, along with the following modifications:

- CCC-761, item 9

**Note:** Enter the net weight including LSK's from FSA-1007, item G.

- CCC-761, item 10
  - **Seg 1 Peanuts.** Enter the value per pound from FSA-1007, item P. If FSA-1007 is not completed through item P, the County Office must complete FSA-1007 calculations to that level (see subparagraph D).
  - **Seg 2 or 3 Peanuts.** Enter the higher of either of the following:
    - the actual value per pound if the peanuts were sold commercially
    - 35 percent of the applicable loan rate if a marketing assistance loan was received.
- CCC-761, item 11. Enter the local market price (national loan rate) listed in subparagraph C.
- Enter the total adjusted production from the bottom right of CCC-761 in CCC-564, item 29.
- ENTER "O" for override in CCC-564, item 30.

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### 2 County Office Action (Continued)

#### C Local Market Prices

The following table provides the local market price for each type of peanut.

Type of Peanut	Local Market Price (National Loan Rate)
Virginia	\$ .1768 / lb.
Runner	\$ .1779 / lb.
Spanish	\$ .1686 / lb.
Valencia	\$ .1768 / lb.

#### D Value Per Pound

Some companies may not have completed FSA-1007 beyond item G. The County Office must complete the calculation in these instances to determine the value per pound including LSK's (FSA-1007, item P).

FSA-1007, item P is determined by the following table.

Step	Action
1	Multiply the percent of LSK's in the load by the gross weight to determine the pounds of LSK's.
2	Subtract the result of step 1 from the net weight of the load to obtain the net weight excluding LSK's (FSA-1007, item I).
3	Calculate the value per ton of the load based on the schedule of premiums and discounts according to Price Support procedure for each separate type of peanut. After applying the premiums and discounts, the net value per ton is obtained equates to FSA-1007, item N.
4	Calculate the value per pound excluding LSK's by dividing the result of step 3 by 2000. Round to 4 decimal places.
5	Multiply the result of step 4 by the result of step 2.
6	Multiply the result of step 1 by \$0.07.
7	Add the result of steps 5 and 6 and divide by the net weight of the load including LSK's (FSA-1007, item G). Round to 2 decimal places. The result is the value per pound including LSK's. Enter this value in CCC-761, item 11.

## 2 County Office Action (Continued)

### E Method 3 Quality Adjustment

Production before any quality adjustments shall continue to be used under the Method 3 procedure. Production shall be entered in the appropriate level (item 33 on the manual CCC-564 or automated equivalent), based upon the quality adjustment factor computed in CCC-761, item 12.

**Example:** If the quality adjustment factor in CCC-761, item 12 is .79, the quality loss attributed to production on that line item is 21 percent (1 minus .79).

The production associated with that 21 percent quality loss (CCC-761, item 9) shall be included in item 33, "Level I" on the manual CCC-564 or automated equivalent.

All production with a quality adjustment factor higher than .80 shall be entered in CCC-564, item 33, "Unaffected".

### F Excel Spreadsheet Process

A special excel spreadsheet process is currently being created to assist County Offices in computing 2002 CDP peanut quality adjustments, including Methods 2 and 3. This process can also be used by County Offices in the correction of 2002 CDP applications involving peanut quality adjustments that were previously processed.

The excel spreadsheet process is being created using the updated 2002 CDP peanut quality adjustment rules in this notice. Kansas City provided a file that contained all FSA-1007 data, including grading and price data. This file was imported to the excel spreadsheet process. This process will display all production data adjusted for quality for each producer for Methods 2 and 3. County Offices will no longer have to process quality adjustments manually before entering the information in the automated CCC-564 process.

This spreadsheet will be an all-inclusive database for 2002 CDP peanut production. The process will also include the calculation when the buying point did not process FSA-1007 past item G as discussed in subparagraph D; therefore, a manual calculation will not be required when using this process. This process will be released in the near future. Until this automated tool is released, County Offices shall:

- follow the instructions in this notice to process 2002 CDP peanut quality adjustments, including completing CCC-761 for loading quality adjustment data in the automated CCC-564 process
- not process corrections to previously issued 2002 CDP applications, including peanut quality adjustments, until the excel process is received. A future notice will be issued with instructions for using the excel process for 2002 CDP peanut quality adjustments.